

Corporate Planning



Finance

KEYWORDS : It involves the determination of objectives of the organization.

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ABSTRACT

Its purpose is to identify new areas of business in a competitive environment and provide direction to the organization to achieve its objective Corporate planning is sometimes called as strategic planning or comprehensive planning.

Business is like a war in one respect. If its grand strategy is correct any number of technical errors can be made and yet the enterprise proves successful 'General Robert Wood; former President, Sears, Roebuck and Co.

Corporate planning is the planning of the organization as a whole. It aims at setting over all organizational objectives and formulating strategies to achieve these objectives.

Meaning and Definitions :

According to David Hussey, corporate planning is "the process of developing objectives for the corporation and its component parts, evolving alternative strategies to achieve these objectives and doing this against a background of systematic appraisal of internal strengths and weaknesses and external environmental changes; the process of translating strategies into detailed operational plans and seeing that these plans are carried out"

In the words of G.A. Steiner, "Corporate planning is the process determining the major objectives of an organization and policies and strategies that will govern the acquisition, use and disposition of resources to achieve the objectives."

According to R.G. Anderson, corporate planning may be defined as systematic preparation of forward-looking strategic plans, defining the objective Corporate Planning and Environment Analysis PM/213 to be pursued in the long, medium and short-term within the framework of corporate policy established by the board of directors for the business as a whole.

Thus, corporate planning is the process of determination of objectives of the organization as a whole and formulation of strategies and action plans to achieve the objectives in the light of strengths and weaknesses of the organization and probable changes in its environment. Corporate planning is also called as 'Comprehensive planning'.

Characteristic Nature :

The following are the characteristics/features of corporate planning that highlight its nature :

1. Formal process : Corporate planning is a formal process. It is so because it requires determination of objectives and formulation of strategies, plans and policies on the basis of formal documents, information and facts

2. Systematic process : It is a systematic process because it is a whole planning process in a logical and sequential manner. It consists of a sequence of steps, e.g., analyzing internal and

external environment, setting corporate objectives, formulating strategies and plans and action plans, executing them and follow-up and feedback.

3. Intellectual and rational process : It is an intellectual and a rational process. It requires the use of creativity, imagination, foresight and judgment.

4. Continuous process : Corporate planning is a continuous process. It goes on throughout the corporate life. It requires continuous review and feedback in the light of the changed internal and external environmental factors.

NEED FOR/IMPORTANCE OF CORPORATE PLANNING

The need for and importance of corporate planning is increasingly recognized for the following reasons/factors :

1. Increasing size of business : During the past several years, the size of business has been increasing at a rapid speed. Even many small firms and companies have multinational operations. Hence, the need for corporate planning is being felt by all such business organizations

2. Complexities of business : In recent years, business operations have become complex and complicated. The performance of such activities requires services of many individuals, groups and institutions. This requires comprehensive corporate planning.

3. Increasing competition: The competition in business is increasing day-after-day. It has squeezed return on investment. Even more, it is threatening the very existence of the organizations. Sound corporate planning goes a long way in dealing with such a situation.

4. Environmental threats and opportunities : Corporate planning is gaining increasing significance because of the environmental threats and opportunities. Competition, technological developments, economic liberalization and globalization, changing consumer preferences, etc. are providing threats as well as opportunities to business organizations. In order to deal with the threats and exploit opportunities, corporate plays a crucial role.

5. Limited resources : Modern business organizations are to work with limited resources. Useful human, physical, financial and informational resources are in limited availability. Some resources such as coal, petrol, diesel, electric power transport facilities, raw materials etc. are very limited in supply. Business organizations need to make effective corporate planning to use limited resource in the most efficient way.